

MINUTES OF THE REGULAR MEETING
OF THE BOARD OF TRUSTEES OF THE EMPLOYEES' RETIREMENT SYSTEM
OF THE STATE OF HAWAII
HELD ON MONDAY, JANUARY 9, 2012, TUESDAY, JANUARY 10, 2012, AND
WEDNESDAY, JANUARY 11, 2012
CITY FINANCIAL TOWER, 201 MERCHANT STREET, SUITE 1935
HONOLULU, HAWAII

ROLL CALL FOR
JANUARY 9, 2012

Trustees present:	Mr. Colbert Matsumoto, Chair Ms. Jackie Ferguson-Miyamoto Mr. Vincent Barfield Mr. Emmit Kane Ms. Pili aloha Lee Loy Mr. Jerome Rauckhorst Mr. Wayne Yamasaki Mr. Kalbert Young
Attorneys present:	Ms. Diane Kishimoto, Deputy Attorney General Mr. Brian Aburano, Deputy Attorney General
Staff present:	Mr. Wesley Machida, Administrator Ms. Kanoe Margol, Assistant Administrator Mr. Rodney June, Chief Investment Officer Mr. Vijoy Chattergy, Investment Specialist Ms. Gerri Konishi, Member Home Loan Assistant Ms. Donna Curry, Program Specialist Ms. Jaime Hirata, Recording Secretary Ms. Wanda Kugiya, Secretary
Guests present:	Ms. Julie Gonsch) Northern Trust Corporation Mr. Steve Fradkin Mr. Alan Emkin) Pension Consulting Alliance Ms. Kay Ceserani Mr. Neil Rue Mr. J. Callahan) Callan Associates, Inc. Mr. G. DeForrest Mr. R. Peyton Ms. Becky Gratsinger) R.V. & Kuhns Associates, Inc. Ms. Marsha Beard

CALL TO ORDER

A quorum being present, Chair Matsumoto called the meeting of the Board of Trustees of the Employees' Retirement System of the State of Hawaii (the Board) to order at 8:15 a.m.

PRESENTATION BY THE NORTHERN
TRUST COMPANY ON A RELATIONSHIP
REVIEW

Julie Gonsch and Steven Fradkin of Northern Trust Corporation presented a review of Northern Trust Corporation and its relationship with the ERS as the ERS's investment asset custodian and manager of the ERS's securities lending program.

Upon completion of their presentation, Ms. Gonsch and Mr. Fradkin left the meeting.

(Deputy Attorney General Brian Aburano left the meeting.)

ENTRY INTO EXECUTIVE SESSION

On a motion made by Ms. Lee Loy, seconded by Ms. Ferguson-Miyamoto, and unanimously carried, the Board entered into Executive Session:

- Pursuant to HRS § 92-5(a)(8), to consider the due diligence site inspection reports with respect to priority-listed finalists for the Request for Proposals (RFP) for Investment Consultant Services;
- Pursuant to HRS § 92-5(a)(8), to meet with and evaluate priority-listed finalists for the RFP for General Investment Consultant Services and, if appropriate, to make selections; and
- Pursuant to HRS § 92-5(a)(8), to consider, evaluate, and make decisions on the draft of the ERS's Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2009

(Deputy Attorney General Diane Kishimoto left the meeting.)

EXECUTIVE SESSION TO CONSIDER THE
DUE DILIGENCE SITE INSPECTION
REPORTS WITH RESPECT TO PRIORITY-
LISTED FINALISTS FOR THE REQUEST
FOR PROPOSALS FOR INVESTMENT
CONSULTANT SERVICES

EXECUTIVE SESSION TO MEET WITH
AND EVALUATE PRIORITY-LISTED
FINALISTS FOR THE REQUEST FOR
PROPOSALS FOR GENERAL
INVESTMENT CONSULTANT SERVICES
AND, IF APPROPRIATE, TO MAKE
SELECTIONS

EXECUTIVE SESSION TO CONSIDER,
EVALUATE, AND MAKE DECISIONS ON
THE DRAFT OF THE ERS'S
COMPREHENSIVE ANNUAL FINANCIAL

REPORT FOR THE FISCAL YEAR ENDED
JUNE 30, 2009

EXECUTIVE SESSION TO MEET WITH
AND EVALUATE PRIORITY-LISTED
FINALISTS FOR THE REQUEST FOR
PROPOSALS FOR GENERAL
INVESTMENT CONSULTANT SERVICES
AND, IF APPROPRIATE, TO MAKE
SELECTIONS

(Mr. Young left the meeting and did not return for the remainder of the day.)

EXIT EXECUTIVE SESSION

On a motion made by Ms. Lee Loy, seconded by Ms. Ferguson-Miyamoto, and unanimously carried, the Board exited Executive Session at 2:43 p.m.

2012 INVESTMENT SUMMIT

The CIO reported on the status of the ERS's 2012 Investment Summit (Summit):

- At the December 12, 2011 Board meeting, ERS staff recommended the Four Seasons Resort Hualalai at Kona for the venue for the Summit.
- Budget for ERS Trustees and staff will include expenses for airfare, hotel accommodations, ground transportation, and meals that would be covered by the registration fees paid by the investment managers, consultants, bank custodian, brokers, and other guests.
- The Administrator will provide the Board with additional information regarding State ethics and gift disclosure laws that will need to be considered by the Board, ERS staff, and the Deputy Attorneys General, in preparation of and during the Summit.

JANUARY 2012 INVESTMENT OFFICE
ACTIVITIES

The CIO reported on the Investment office activities as of January 9, 2012:

- Large Cap Growth Equities Management – Request for Information (RFI) development in process per the October 11, 2011 Board meeting. Final version of the RFI is subject to Board direction on active/passive management.
- Transition of assets to fund the Covered Calls manager completed early December 2011.
- Presentation of the final version of the Investment Policy and Procedures Manual planned for Board approval at the

February 2012 Board meeting.

- Trustee Education Assessment Questionnaires on pension administration to be distributed to the Trustees in the next 45 days.
- Transition of assets to fund the Emerging Markets manager to be completed February 2012.
- On-going Bloomberg portfolio analytics to address risk management activities.
- Cash Flow Model assumptions updated October 2011.
- Intern/student volunteer for the Investment office expected to be filled Spring 2012.

The CIO also mentioned that he will be on vacation from February 15 to February 22, 2012

ADMINISTRATOR'S UPDATE ON THE ERS ACTION PLAN AS OF JANUARY 9, 2012

The Administrator provided an update on the status of the ERS Action Plan as of January 9, 2012:

- The Administrator will attend the Kauai County Council meeting to provide the Council with an update on legislative proposals affecting the ERS, as well as on-going ERS operations and activities.
- The Administrator will meet with Senator Clayton Hee for an informational briefing regarding the issues facing the ERS (i.e. anti-spiking, unfunded status).

RECESS

Chair Matsumoto called a recess of the meeting, to reconvene on Tuesday, January 10, 2012.

RECONVENE ON JANUARY 10, 2012

ROLL CALL FOR
JANUARY 10, 2012

Trustees present:

Mr. Colbert Matsumoto, Chair
Ms. Jackie Ferguson-Miyamoto
Mr. Emmit Kane
Ms. Pili aloha Lee Loy
Mr. Jerome Rauckhorst
Mr. Wayne Yamasaki
Mr. Kalbert Young

Trustees excused:

Mr. Vincent Barfield

Attorney present:

Ms. Diane Kishimoto, Deputy Attorney General

Staff present:

Mr. Wesley Machida, Administrator
Ms. Kanoe Margol, Assistant Administrator
Mr. Rodney June, Chief Investment Officer
Mr. Vijoy Chattergy, Investment Specialist
Ms. Gerri Konishi, Member Home Loan Assistant
Ms. Donna Curry, Program Specialist
Ms. Jaime Hirata, Recording Secretary
Ms. Wanda Kugiya, Secretary

Guests present:

Ms. Lou Canlas) Courtland Partners
Mr. Michael Humphrey
Ms. Dan Moore

Ms. Terry Ahern) The Townsend Group
Mr. Craig Blanchard
Ms. Micolyn Yalonis

Mr. Dan Krivinskis) R.V. & Kuhns Associates, Inc.
Mr. Scott Krouse

Mr. Lewis Ward, Gabriel Roeder Smith & Company
(via conference call)

RECONVENE

A quorum being present, Chair Matsumoto reconvened the meeting at 9:08 a.m.

ENTRY INTO EXECUTIVE SESSION

On a motion made by Ms. Lee Loy, seconded by Ms. Ferguson-Miyamoto, and unanimously carried, the Board entered into Executive Session, pursuant to HRS § 92-5(a)(8), to meet with and evaluate priority-listed finalists for the RFP for Real Estate Investment Consultant Services and, if appropriate, to make selections.

(Deputy Attorney General Diane Kishimoto left the meeting.)

EXECUTIVE SESSION TO MEET WITH
AND EVALUATE PRIORITY-LISTED
FINALISTS FOR THE REQUEST FOR
PROPOSALS FOR REAL ESTATE
INVESTMENT CONSULTANT SERVICES
AND, IF APPROPRIATE, TO MAKE
SELECTIONS

(Mr. Kane left the meeting at 10:56 a.m. and returned to the meeting
at 11:23 a.m.)

(Mr. Young left the meeting at 1:00 p.m. and did not return for the
remainder of the day.)

EXIT EXECUTIVE SESSION

On a motion made by Ms. Ferguson-Miyamoto, seconded by
Mr. Rauckhorst, and unanimously carried, the Board exited
Executive Session.

RECESS

Chair Matsumoto called a recess of the meeting, to reconvene on
Wednesday, January 11, 2012.

RECONVENE ON JANUARY 11, 2012

ROLL CALL FOR
JANUARY 11, 2012

Trustees present:

Mr. Colbert Matsumoto, Chair
Ms. Jackie Ferguson-Miyamoto
Mr. Vincent Barfield
Mr. Emmitt Kane
Ms. Piliuloha Lee Loy
Mr. Jerome Rauckhorst
Mr. Wayne Yamasaki
Mr. Kalbert Young

Attorney present:

Ms. Diane Kishimoto, Deputy Attorney General

Staff present:

Mr. Wesley Machida, Administrator
Ms. Kanoe Margol, Assistant Administrator
Mr. Rodney June, Chief Investment Officer
Mr. Vijoy Chattergy, Investment Specialist
Ms. Gerri Konishi, Member Home Loan Assistant
Ms. Donna Curry, Program Specialist
Ms. Jaime Hirata, Recording Secretary
Ms. Wanda Kugiya, Secretary

Guests present:

Mr. Pawan. Chaturvedi) Altius Associates Limited
Mr. Garth Troxell
Mr. John Hess

Ms. Tara Blackburn) Hamilton Lane
Ms. Jenna Greer
Mr. Paul Yett

Mr. Andrew Bratt) Pension Consulting Alliance, Inc.
Mr. Tad Fergusson
Mr. Mike Moy

RECONVENE

A quorum being present, Chair Matsumoto reconvened the meeting at 9:08 a.m.

ENTRY INTO EXECUTIVE SESSION

On a motion made by Ms. Lee Loy, seconded by Ms. Ferguson-Miyamoto, and unanimously carried, the Board entered into Executive Session:

- Pursuant to HRS § 92-5(a)(8), to consider the due diligence site inspection reports with respect to priority-listed finalists for the Request for Proposals (RFP) for Private Equity Investment Consultant Services;
- Pursuant to HRS § 92-5(a)(8), to meet with and evaluate priority-listed finalists for the RFP for Private Equity Investment Consultant Services and, if appropriate, to make

selections; and

- Pursuant to HRS § 92-5(a)(4), to consider, evaluate, and make decisions on the draft of the June 30, 2011 Actuarial Valuation;
- Pursuant to HRS § 92-5(a)(4), to consult with the ERS's attorneys on questions and issues pertaining to the ERS's powers, duties, privileges, immunities, and liabilities with respect to actuarial methods and the ERS's funded status; appropriate action; and
- Pursuant to HRS § 92-5(a)(4), to consult with the ERS's attorneys on questions and issues pertaining to the ERS's powers, duties, privileges, immunities and liabilities with respect to legislative proposals affecting the ERS; appropriate action.

EXECUTIVE SESSION TO CONSIDER THE
DUE DILIGENCE SITE INSPECTION
REPORTS WITH RESPECT TO PRIORITY-
LISTED FINALISTS FOR THE REQUEST
FOR PROPOSALS FOR PRIVATE EQUITY
INVESTMENT CONSULTANT SERVICES

EXECUTIVE SESSION TO MEET WITH
AND EVALUATE PRIORITY-LISTED
FINALISTS FOR THE REQUEST FOR
PROPOSALS FOR PRIVATE EQUITY
INVESTMENT CONSULTANT SERVICES
AND, IF APPROPRIATE, TO MAKE
SELECTIONS

(Deputy Attorney General Diane Kishimoto arrived at the meeting.)

EXECUTIVE SESSION TO CONSIDER,
EVALUATE, AND MAKE DECISIONS ON
THE DRAFT OF THE JUNE 30, 2011
ACTUARIAL VALUATION AND TO
CONSULT WITH THE ERS'S ATTORNEYS
ON QUESTIONS AND ISSUES
PERTAINING TO THE ERS'S POWERS,
DUTIES, PRIVILEGES, IMMUNITIES, AND
LIABILITIES WITH RESPECT TO
ACTUARIAL METHODS, AND THE ERS'S
FUNDED STATUS, AND LEGISLATIVE
PROPOSALS AFFECTING THE ERS

(Deputy Attorney General Diane Kishimoto left the meeting.)

EXECUTIVE SESSION TO MEET WITH
AND EVALUATE PRIORITY-LISTED
FINALISTS FOR THE REQUEST FOR

PROPOSALS FOR PRIVATE EQUITY
INVESTMENT CONSULTANT SERVICES
AND, IF APPROPRIATE, TO MAKE
SELECTIONS

(Deputy Attorney General Diane Kishimoto returned to the meeting.)

EXECUTIVE SESSION TO CONSIDER,
EVALUATE, AND MAKE DECISIONS ON
THE DRAFT OF THE JUNE 30, 2011
ACTUARIAL VALUATION AND TO
CONSULT WITH THE ERS'S ATTORNEYS
ON QUESTIONS AND ISSUES
PERTAINING TO THE ERS'S POWERS,
DUTIES, PRIVILEGES, IMMUNITIES, AND
LIABILITIES WITH RESPECT TO
ACTUARIAL METHODS, THE ERS'S
FUNDED STATUS

EXIT EXECUTIVE SESSION

On a motion made by Mr. Young, seconded by Ms. Lee Loy, and
unanimously carried, the Board exited Executive Session.

ACTUARIAL METHODS FOR VALUATION
OF THE ERS AND DETERMINATION OF
CONTRIBUTION RATES

On a motion made by Mr. Young, seconded by Ms. Lee Loy, and
unanimously carried, the Board adopted, effective June 30, 2011, the
Individual Normal Cost method to determine the liabilities and
contribution rates of the ERS and an open group projection to
determine the funding period for the ERS's unfunded liability.

NEXT MEETING

Chair Matsumoto announced that the next Board meeting is
scheduled for February 13, 2012.

ADJOURNMENT

On a motion made by Ms. Lee Loy, seconded by Mr. Kane, and
unanimously carried, the meeting was adjourned at 3:29 p.m.

**REDACTED
SIGNATURE**

Wesley K. Machida
Administrator

WKM: jh